

**OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY**

**1113 Washington Avenue, Suite 250  
Golden, Colorado, 80401**

**NAIC COMPANY CODE 50520**

**MARKET CONDUCT EXAMINATION REPORT  
as of December 31, 2002**

**PREPARED BY INDEPENDENT CONTRACTORS FOR THE  
COLORADO DEPARTMENT OF REGULATORY AGENCIES  
DIVISION OF INSURANCE**

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December 5, 2003

The Honorable Doug Dean  
Commissioner of Insurance  
State of Colorado  
1560 Broadway Suite 850  
Denver, Colorado 80202

Commissioner Dean:

In accordance with §§ 10-1-203 and 10-3-1106, C.R.S., an examination of selected underwriting, rating, and claims practices of Old Republic National Title Insurance Company, has been conducted. The Company's records were examined at its State Office, located at 1113 Washington Avenue, Suite 250, Golden, Colorado. 80401.

The examination covered a one-year period from January 1, 2002 to December 31, 2002.

A report of the examination of Old Republic National Title Insurance Company is, herewith, respectfully submitted.

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James T. Axman, CIE

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Frederick T. Verny Jr., AIE

Independent Market Conduct Examiners

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**COMPANY PROFILE**

Old Republic National Title Insurance Company, hereinafter referred to as “the Company,” is a wholly owned subsidiary of Old Republic Title Insurance Group, Inc., which is a wholly owned subsidiary of the publicly traded Old Republic International Corporation. The Company first opened for business in 1907 in Minneapolis, Minnesota as Real Estate Title Insurance Company. In 1929 the Company acquired several local abstract companies in Minnesota, signed its first agents, and changed its name to Title Insurance Company of Minnesota. On December 31, 1992 the Company’s name was changed to the present name, Old Republic National Title Insurance Company. In 1978, Old Republic International Corporation, a national insurance holding company, acquired the Company. Some years later, Old Republic Title Insurance Group was formed as a subsidiary of Old Republic International Corporation.

The Company is authorized to write title insurance coverage in Colorado and was first licensed in the State of Colorado on July 21, 1965. The Company is engaged in the title insurance business on a nationwide basis and, as of January 1, 2002, was licensed as a title insurer in 48 states, the District of Columbia and Puerto Rico.

The Company maintains its national headquarters in Minneapolis and provides title insurance nationwide through independent agents and direct operations. The Colorado regional office, located in Golden, Colorado, handles claims for both Colorado and Utah.

\*As of the calendar year 2002 the Company had reported premium in Colorado of \$24,536,000 for Title Insurance, representing a 7.12 % market share in Colorado.

\*Data as reported in the Colorado Insurance Industry Statistical report.

### **PURPOSE AND SCOPE OF EXAMINATION**

This market conduct report was prepared by independent examiners contracting with the Colorado Division of Insurance for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Colorado. This procedure is in accordance with Colorado Insurance Law §10-1-204, C.R.S., which empowers the Commissioner to supplement his resources to conduct market conduct examinations. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of the examination was to determine the Company's compliance with Colorado insurance law and with generally accepted operating principles related to title insurance law. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record. The preceding statements are not intended to limit or restrict the distribution of this report.

This examination was governed by, and performed in accordance with, procedures developed by the National Association of Insurance Commissioners and the Colorado Division of Insurance. In reviewing material for this report the examiners relied primarily on records and material maintained by the Company. The examination covered a twelve (12) month period of the Company's operations, from January 1, 2002 to December 31, 2002.

File sampling was based on a review of underwriting and claims files that were systematically selected by using (ACL <sup>TM</sup>) software and computer data files provided by the company. Sample sizes were chosen based on procedures developed by the National Association of Insurance Commissioners. Upon review of each file any concerns or discrepancies were noted on comment forms and delivered to the Company for review. Once the Company was advised of a finding contained in a comment form, the Company had the opportunity to respond. For each finding the Company was requested to agree, disagree or otherwise justify the Company's noted action. At the conclusion of each sample the Company was provided a summary of the findings for that sample. The examination report is a report by exception. Therefore, much of the material reviewed is not addressed in this written report. Reference to any practices, procedures, or files, which manifested no improprieties, was omitted.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero (\$0) tolerance level was applied in order to identify possible system errors. Additionally, a zero (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's established policies, procedures, rules and/or guidelines.

When sampling was involved, a minimum error tolerance level of five percent (5%) was established to determine reportable exceptions. However, if an issue appeared to be systemic, or when due to the sampling process it was not feasible to establish an exception percentage, a minimum error tolerance percentage was not utilized. Also, if more than one sample was reviewed in a particular area of the examination (e.g. timeliness of claims payment), and if one or more of the samples yielded an exception rate of five percent (5%) or more, the results of any other samples with exception percentages less than five percent (5%) were also included.

The examination included review of the following:

1. Company Operations
2. Sales and Marketing
3. Underwriting-Rating
4. Claims Practices

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Commissioner. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance. Examination findings may result in administrative action by the Division of Insurance.



**EXAMINERS' METHODOLOGY**

The examiners reviewed the Company's Title Insurance Sales & Marketing, Underwriting, Rating, and Claims practices to determine compliance with the Colorado insurance law outlined in Exhibit 1.

**Exhibit 1**

<b>Law</b>	<b>Subject</b>
Section 10-4-404.5	Rating plans-P&C type II insurers-rules and regulations
Section 10-3-1104	Unfair methods of competition and unfair or deceptive acts or practices
Section 10-11-101.	Short title.
Section 10-11-102.	Definitions.
Section 10-11-103.	Compliance with article required.
Section 10-11-104.	Corporate form required.
Section 10-11-105.	Financial requirements prior to the article.
Section 10-11-106.	Determination of insurability required.
Section 10-11-107.	Powers.
Section 10-11-108.	Prohibitions.
Section 10-11-109.	Unearned premium reserve.
Section 10-11-110.	Amount of unearned premium reserve-release.
Section 10-11-111.	Reserve for unpaid losses and loss expense.
Section 10-11-112.	Net retained liability.
Section 10-11-113.	Power to reinsure.
Section 10-11-114.	Legal investments and admitted assets.
Section 10-11-115.	Prior investments.
Section 10-11-116.	Title insurance agents licensed.
Section 10-11-117.	Title insurance agents-certain names prohibited.
Section 10-11-118.	Title insurance.
Section 10-11-119.	Laws applicable.
Section 10-11-120.	Corporate existence preserved.
Section 10-11-121.	Application of article-other laws applicable.
Section 10-11-122.	Title commitments.
Section 10-11-123.	Notification of severed mineral estates.
Amended Regulation 3-5-1	Title Insurance
Regulation 1-1-7	Market Conduct Record Retention
Regulation 5-1-10	Rate and Rule filing regulation

**Contract Forms and Endorsements**

The following Title Insurance forms and endorsements were reviewed for compliance applicable to the period under examination:

<b>Title</b>	<b>Form</b>
Restrictions, etc. 1-4 Family Dwellings non-residential	100
ALTA Endorsement Environmental Protection Plan	8.1
ALTA Condominium Endorsement	115.1 (ALTA 4)
ALTA Planned unit development	115.2 (ALTA 5)
Designation of improvements, an location	116
Mineral Rights, Damage to Improvements	100.29
Mineral Rights, Damage to Improvements – Lender only	100.30
Mineral Rights, Damage to Improvements -- Owners only	100.31
Mechanic/Lien protection up to insured Trust Deed	101.5
Variable rate mortgage	110.7 (ALTA 6)
Comprehensive Encroachments, Minerals	Alta 9
Residential Extra Protection	130
Commitment To Insure	ORT Form 2582
ALTA Loan Policy Jacket	ORT Form 401D
ALTA Owners Policy Jacket	ORT Form 402D
ALTA Residential Title Policy Jacket	ORT Form 3375D
Short Form Residential Loan Policy	ORT Form 3681D

**Sales and Marketing**

For the period under examination, the examiners reviewed advertising and promotional materials provided by the Company.

<b>Population</b>	<b>Sample Size</b>	<b>Percentage to Population</b>
6	6	100%

**Underwriting-Rating**

The examiners reviewed the rate and fee filings for title premium, submitted to Colorado Division of Insurance for the period under examination. This information was then compared against a sample of title policies, rated by county, type and amount of loan, to determine compliance with filed base rates and fees.

<b>Population</b>	<b>Sample Size</b>	<b>Percentage to Population</b>
58,858	100	1%

**Claims Practices**

For the period under examination, a random sample was selected to determine compliance with claims handling practices.

<b>Population</b>	<b>Sample Size</b>	<b>Percentage to Population</b>
137	50	36%

**EXAMINATION REPORT SUMMARY**

The examination resulted in no issues.

Independent Market Conduct Examiners

James T. Axman, CIE

Frederick T. Verny Jr., AIE

Participated in this examination and in the preparation of this report